STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

EQUITABLE NATIONAL LIFE INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2017

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June 11, 2019

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a coordinated examination, as of December 31, 2017, has been made of the financial condition and business affairs of:

EQUITABLE NATIONAL LIFE INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as the "Company," and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

This full-scope examination of the Company was conducted by representatives of the Utah Insurance Department (Department), and covers the period of January 1, 2013 through December 31, 2017, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination is part of a multi-state coordinated examination which Utah acts as the lead and coordinating state and Indiana acts as the participating state. The three companies under this examination were Equitable Life & Casualty Insurance Company (Equitable Life), Equitable National Life Insurance Company, and Sterling Investors Life Insurance Company (Sterling). The Company and Equitable Life are domiciled in Utah, and Sterling is domiciled in Indiana. The examination period for Equitable Life was January 1, 2016 through December 31, 2017, and for Sterling was the period of January 1, 2013 through December 31, 2017.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There are no significant findings and recommendations for inclusion in this report.

Status of Prior Exam Findings

The prior examination covered the period of January 1, 2009 through December 31, 2012. There are no outstanding issues from the prior examination that have not been corrected by the Company.

COMPANY HISTORY

General

The Company was incorporated as PML Life Insurance Company (PML Life) on June 24, 1991 under the laws of the State of Connecticut. PML Life changed its name to Phoenix Life and Reassurance Company on October 4, 1991, and then again changed its name to American Phoenix Life and Reassurance Company (American Phoenix) on October 24, 1991.

American Phoenix primarily functioned as a reinsurer of individual life, group employee benefit, and special risk coverages. On August 1, 1999, it sold its individual life reinsurance business and certain group health reinsurance business to Employers Reassurance Corporation (Employers Re). This block of business was novated to Employers Re effective January 1, 2001.

Until American Phoenix was acquired by Equitable Life, it was a wholly-owned subsidiary of PM Holdings, Inc., which was a wholly-owned subsidiary of Phoenix Life Insurance Company (Phoenix Life). Phoenix Life was a wholly-owned subsidiary of The Phoenix Companies, Inc. (Phoenix Companies).

On February 1, 2017, American Phoenix was acquired and merged into a new holding company system. Concurrent with the acquisition, American Phoenix adopted a Plan of Domestication to re-domesticate from Connecticut to Utah and change its name to Equitable National Life Insurance Company.

The Amended and Restated Articles of Incorporation for Domestication authorize the issuance of 5,000,000 shares of common stock with a par value of $1.00 per share. As of December 31, 2017, half of the authorized shares were issued, outstanding and owned by Equitable Life (See Mergers and Acquisitions).

The bylaws were amended as part of the Plan of Domestication to reflect the current name of the Company and the state of domicile. The bylaws govern the actions, affairs and concerns of the corporation, its directors, officers and shareholders and their relation to one another.

Mergers and Acquisitions

On February 1, 2017, Equitable Life completed a Stock Purchase Agreement with American Phoenix and Phoenix Companies, a Delaware corporation and sole shareholder of American Phoenix, to purchase all outstanding shares of American Phoenix for $7,322,922.

At the same time, Equitable Life and its immediate parent, Insurance Investment Company (IIC) entered into a Plan of Merger with SILAC, LLC (SILAC). The transaction was approved by the Department effective February 10, 2017 and IIC changed its name to Equitable Family Insurance Group, Inc. (Equitable Family).

Effective February 1, 2019, the State of Delaware approved the conversion of SILAC from a Delaware Limited Liability Company to a Delaware Corporation pursuant to Section 265 of the Delaware General Corporation Law. The name, as set forth in its Certificate of Incorporation, is SILAC, Inc.

Dividends and Capital Contributions

On September 22, 2015, the Company paid an extraordinary dividend of $7,500,000 to Phoenix Companies, its immediate parent at that time.

On June 21, 2017, a $2,500,000 capital contribution was received from its current parent, Equitable Life.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The bylaws indicate that the Board of Directors shall be neither less than two (2) nor more than ten (10) directors. The following persons served as directors for the Company as of December 31, 2017:

Name and Location	Primary Occupation
Stephen C. Hilbert	Chairman of the Board, President, Chief Executive Officer

Carmel, IN	Equitable Life, Equitable National, Sterling
Ngaire E. Cuneo Naples, FL	Executive Vice President – Corporate Development Equitable Life, Equitable National, Sterling
James S. Adams Indianapolis, IN	Vice Chairman, Chief Financial Officer, Treasurer Equitable Life, Equitable National, Sterling
Scott D. Matthews Fishers, IN	Chief Legal Officer, Secretary Equitable Life, Equitable National, Sterling
Tomisue S. Hilbert Carmel, IN	Director Equitable Life, Equitable National, Sterling
William C. Stone* Naples, FL	Chairman of the Board, Chief Executive Officer SS&C Technologies Holdings, Inc.

* - independent director

Committees

The bylaws permit the Board of Directors to create one (1) or more committees. Committees and the respective committee members as of December 31, 2017 were as follows:

Audit Committee	Finance and Investment Committee
William C. Stone	James S. Adams
James S. Adams	Stephen C. Hilbert
Ngaire E. Cuneo	Ngaire E. Cuneo
Tomisue S. Hilbert	

Risk Management Committee	Compensation Committee
Scott D. Matthews	Stephen C. Hilbert
James S. Adams	James S. Adams
Ngaire E. Cuneo	Ngaire E. Cuneo

Officers

The bylaws provide for principal officers to consist of a President, Treasurer and Secretary, each of whom shall be elected by the Board of Directors.

The officers of the Company as of December 31, 2017 were as follows:

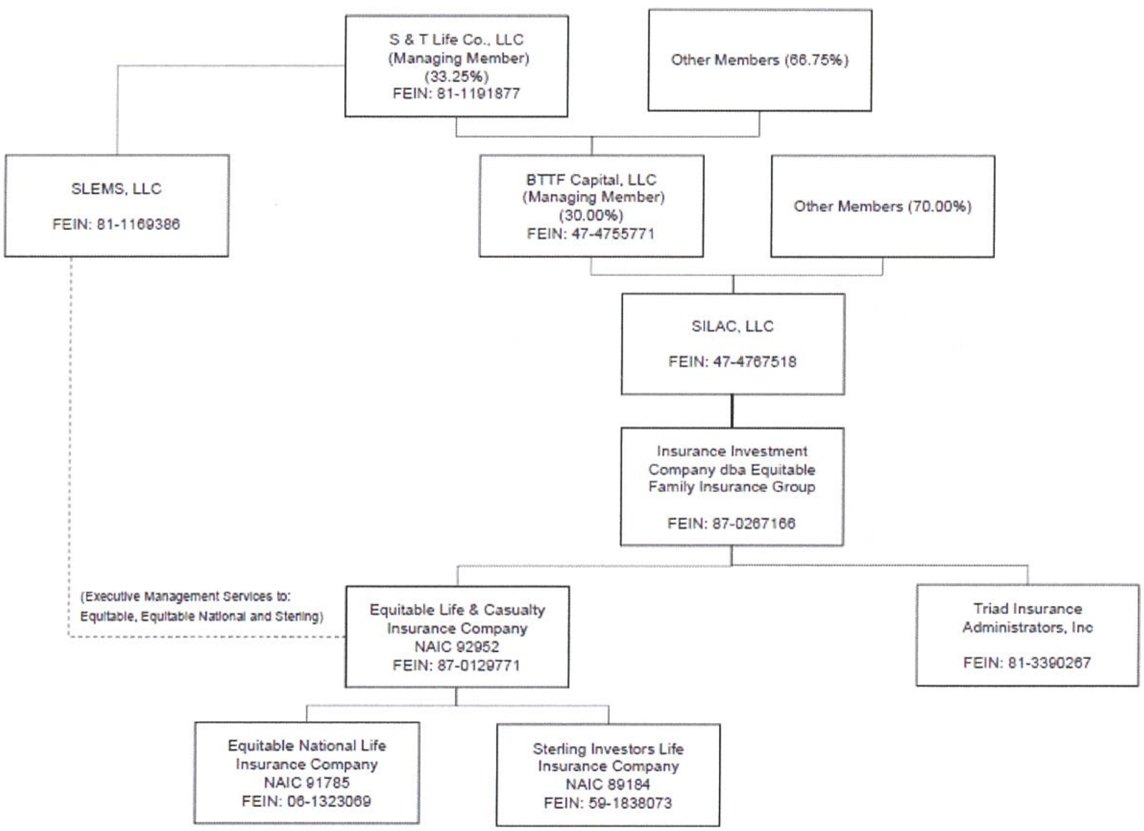
Name	Title
Stephen C. Hilbert	Chairman of the Board, President, Chief Executive Officer

Ngaire E. Cuneo	Executive Vice President – Corporate Development
James S. Adams	Vice Chairman, Chief Financial Officer, Treasurer
Scott D. Matthews	Chief Legal Officer, Secretary

<u>Holding Company</u>

The Company is a member of a holding company as defined in Utah Code § 31A-16 and is a wholly-owned subsidiary of Equitable Life, a Utah insurance company. The ultimate controlling person of the holding company is Mr. Stephen C. Hilbert.

The following organizational chart depicts the holding company as of December 31, 2017:



<u>Transactions and Agreements with Affiliates</u>

The following agreements were in place as of the date of this examination report:

<u>*Executive Management Agreement with Affiliates*</u>

SLEMS, LLC (SLEMS), an affiliated Indiana limited liability company, Equitable Family, Equitable National, Equitable Life, Sterling and Triad Insurance Administrators (collectively, the Service Recipients) entered into an Executive Management Agreement. Under the terms of the agreement, SLEMS provides executive management services such as strategic planning, accounting and operational oversight to the Service Recipients. SLEMS consultants are comprised of the four (4) executive officers of the Company.

The Service Recipients collectively compensate SLEMS an annual management fee of $3,600,000. SLEMS is also entitled to receive additional compensation equal to 1% of the difference between total combined assets of the Company, Equitable Life and Sterling as of the current year-end and as of December 31, 2016. The additional fee is not paid if such payment would cause risk-based capital to fall below 300%. Total fees paid to SLEMS will not exceed $5 million annually. For the year-ended December 31, 2017, the Company did not pay a fee to SLEMS pursuant to the terms of this agreement due to its minimal operations.

Administrative Services Agreement with Equitable Life and Sterling

Under the terms of this agreement, Equitable Life provides policy issuance; agency; premium collection and accounting; claims handling; commission accounting; policy owner; legal and compliance; actuarial; and insurance accounting services to the Company and Sterling. Payments to Equitable Life are based on the actual time Equitable Life employees dedicate to services provided to its subsidiaries.

This agreement was not materially implemented during the examination period due to minimal operations of the Company and limited need by Sterling.

Amended and Restated Tax Consolidation Agreement with Equitable Life and Sterling

Under the terms of this agreement, Equitable Life files a consolidated federal income tax return. Each party pays taxes owed or receives tax refunds in an amount equal to what would have been paid or received if the parties filed separately. The Company and Sterling reimburse Equitable Life for all costs incurred in connection with any audit, proceeding and expenses relating to their respective tax returns. The first consolidated tax return filed by Equitable Life was for the year-ended December 31, 2017.

Capital Maintenance Agreement with SILAC

Under the terms of this agreement, SILAC agrees to ensure total adjusted capital of the Company is maintained at a level of at least 300% of the authorized control level risk-based capital as defined in Utah Code § 31A-17-601. If, at the end of any calendar quarter, policyholder surplus of the Company is below this threshold, SILAC will contribute the necessary capital within 45 days of the end of such quarter. No capital was contributed by SILAC to the Company during the examination period.

TERRITORY AND PLAN OF OPERATIONS

The Company did not write new business during the examination period until 2017 when it began issuing Medicare Supplement insurance products. The development and marketing of Medicare Supplement is the core focus of the Company.

As of December 31, 2017, the Company was licensed to write life and accident and health insurance in the following jurisdictions:

Arizona	Idaho	Michigan	Pennsylvania
Arkansas	Illinois	Montana	South Carolina
California	Indiana	Nebraska	South Dakota
Connecticut	Iowa	New Jersey	Tennessee
Delaware	Kansas	North Carolina	Texas
District of Columbia	Kentucky	North Dakota	Utah
Georgia	Maryland	Ohio	Washington
			West Virginia

REINSURANCE

Ceded

The Company entered into two reinsurance agreements during the examination period:

- As part of the Stock Purchase Agreement, the Company entered into a Reinsurance Agreement with Phoenix Life, a Delaware insurance company. Under the terms of this agreement, the Company ceded 100% of all in-force policies to Phoenix Life.

- Effective July 1, 2017, the Company entered into a Medicare Supplement Coinsurance Agreement with Aetna Life Insurance Company (Aetna), an authorized reinsurer domiciled in Connecticut. Under the terms of this agreement, Aetna assumes 95% of all premiums and claims and the Company retains the remaining 5% of covered policies. For the year-ended December 31, 2017, premiums ceded were $78,971 and there was no reserve credit taken by the Company.

Assumed

The Company did not have any assumed reinsurance during the examination period or subsequent.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2017. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

EQUITABLE NATIONAL LIFE INSURANCE COMPANY
BALANCE SHEET

as of December 31, 2017

	Current Year
Bonds	$ 6,962,467
Cash, cash equivalents and short-term investments	921,619
Investment income due and accrued	108,943
Uncollected premiums and agents' balances in the course of collection	10,488
Deferred premiums and agents' balances booked deferred and not yet due	124,050
Amounts recoverable from reinsurers	4,186
Other amounts receivable under reinsurance contracts	159,520
Net deferred tax asset	295
Guaranty funds receivable or on deposit	300
Aggregate write-ins for other than invested assets	120,000
Total Assets	$ 8,411,869
Aggregate reserve for accident and health contracts	$ 818
Contract claims: accident and health	1,150
Premiums and annuity considerations received in advance	1,597
Other amounts payable on reinsurance	49,085
Interest maintenance reserve (IMR)	66,807
General expenses due or accrued	5,677
Current federal and foreign income taxes	10,637
Remittances and items not allocated	353
Asset valuation reserve (AVR)	17,351
Payable to parent, subsidiaries and affiliates	794
Total Liabilities	$ 154,268
Common capital stock	2,500,000
Gross paid in and contributed surplus	2,979,153
Unassigned funds (surplus)	2,778,447
Total Capital & Surplus	8,257,600
Total Liabilities, Surplus and Other Funds	$ 8,411,869

EQUITABLE NATIONAL LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS

for the Year Ended December 31, 2017

	Current Year
Premiums and annuity considerations	$ 4,156
Net investment income	187,391
Amortization of interest maintenance reserve (IMR)	53,329
Commissions and expense allowances on reinsurance ceded	212,852
Total income	$ 457,728
Disability benefits and benefits under accident and health contracts	$ 1,370
Increase in aggregate reserves for life and accident and health contracts	2,415
Total benefits and reserves	$ 3,785
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	$ 21,550
General insurance expenses	204,805
Insurance taxes, licenses and fees, excluding federal income taxes	54,778
Aggregate write-ins for deductions	875
Total expenses	282,008
Total expenses, benefits and reserves	$ 285,793
Net gain after dividends, before federal income taxes	$ 171,935
Federal and foreign income taxes incurred	40,957
Net gain after dividends and taxes, before realized capital gains	130,978
Net realized capital gains	40,957
Net income	$ 164,392

EQUITABLE NATIONAL LIFE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS

2013 through 2017

	2013	2014	2015	2016	2017
Capital and surplus, December 31, prior year	$ 15,278,560	$ 15,446,268	$ 15,716,142	$ 5,504,916	$ 5,649,668
Net income	326,724	208,922	(235,593)	137,178	164,392
Change in net deferred income tax	231,269	(27,809)	171,889	(9,446)	(1,886,006)
Change in nonadmitted assets	(233,653)	26,124	(172,486)	8,608	1,840,519
Change in asset valuation reserve	(1,983)	(2,787)	24,964	8,412	(10,919)
Capital changes: Paid in	-	-	(2,500,000)	-	-
Surplus adjustment: Paid in	-	-	-	-	2,500,000
Dividends to stockholders	-	-	(7,500,000)	-	-
Aggregate write-ins for gains (losses) in surplus	(154,649)	65,424	-	-	-
Net change in capital and surplus for the year	167,708	269,874	(10,211,226)	144,752	2,607,986
Capital and surplus, December 31, current year	$ 15,446,268	$ 15,716,142	$ 5,504,916	$ 5,649,668	$ 8,257,654

ANALYSIS OF CHANGES AND COMMENTS ON FINANCIAL STATEMENTS

<u>Capital and surplus</u> <u>$8,257,654</u>

The capital and surplus of the Company was determined to be the same as reported in the annual statement as of December 31, 2017.

There were no adjustments made to surplus as a result of the examination.

The Company's minimum capital requirement was $400,000 as defined in Utah Code § 31A-5-211(2)(a). As defined by Utah Code § 31A-17 Part 6, the Company had total adjusted capital of $8,274,951 which exceeded the authorized control level risk-based capital requirement of $68,926.

SUBSEQUENT EVENTS

There were no material subsequent events identified during the examination.

ACKNOWLEDGEMENT

T. Michael Presley, FSA, MAAA, and Lisa Parker, ASA, MAAA, of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. Tracy D. Gates, CISA, CFE, CPA, of Highland Clark, LLC, performed the information systems review. Edward Toy of Risk & Regulatory Consulting, LLC, performed the investment review portion of the examination. Jake Garn, CPA, CFE, Chief Examiner, supervised the examination. In addition, Natasha Robinson, AFE, Financial Examiner, and Cambria Shore, Financial Examiner, both of the Utah Insurance Department, and Clarissa Crisp, CFE, of Risk & Regulatory Consulting, LLC, participated in the examination representing the Utah Insurance Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Malis Rasmussen, MSA, CFE, SPIR
Deputy Chief Examiner, Examiner-in-Charge
Utah Insurance Department